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4 December 1969

DDI BRIEFING FOR
THE VICE PRESIDENT

C O N T E N T S

BRIEFING PAPERS

Philippines
Nationalist China
Thailand
Nepal
Afghanistan
Malaysia
Singapore
Indonesia
Australia
New Zealand
Vietnam

ANNEXES

Chinese Minorities in Southeast Asia

Indonesia's Foreign Debt

MAPS (in back cover)

Two maps of each country except Vietnam

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PHILIPPINES

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PHILIPPINES

- I. For the Philippines, the long-run domestic problem is the unwillingness of the ruling elite to accept changes necessary to improve the lot of the common man. *Back to front*
- A. The country's agriculture economy, with its strong feudalistic overtones, is not attuned to the needs of a rapidly growing and landless peasant population.
- B. Economic growth is barely ahead of population growth. Economic advances are skimmed off by those who control the economy; the real wages of workers continue to slip.
- C. The government has been unwilling to impose controls necessary to redress a current serious foreign exchange imbalance.
- D. President Marcos, although given an apparent mandate through his election to an unprecedented second term, has neither the will nor the power

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to force necessary reforms.

E. A free-wheeling political system has until now provided an outlet for public discontent. The electorate is becoming increasingly disinclined, however, to be put off by empty political promises.

F. Meanwhile official corruption and lawlessness are prominent and continuing hallmarks of Philippine society.

II. Internal security threats are still minimal.

A. The Huks, although influential in rural central Luzon and growing slightly in numbers, have been contained militarily.

B. The urban left is small and faction-ridden. Its articulate voicing of popular grievances, however, has spurred increasing public questioning of the political system.

III. Redefinition of the relationship with the US is the Philippines' major foreign policy goal. *US relationship*

A. The Filipinos have long professed a desire to be internationally accepted as a fully independent state, out of the US shadow, but they were taken aback by President Nixon's

PHIL-2

statement in Manila last July that the era of "special relationship" was coming to an end. Manila now appears prepared, however, to show greater self-reliance.

B. Renegotiation of US military base rights is the Philippines' most immediate aim.

1. The Filipinos want a more specific acknowledgement of their sovereignty over the bases, particularly in gaining broader jurisdiction over offenses by US servicemen.
2. Filipinos privately recognize the security and economic benefits of the bases, and almost certainly will not press for their removal.
3. Manila is still forming a negotiating position, and has indicated it will not be ready for these talks until mid-1970.

C. In economic relations, the Philippines seeks an extension of US tariff preferences after expiration of the Laurel-Langley agreement in 1974, but it has not shown any willingness to continue the reciprocal privileges to US

PHIL-3

businesses in the Philippines.

IV. Manila seems anxious to refurbish its ^{INTERNATIONAL} ~~internal~~ reputation, tarnished by its dispute with Malaysia over Sabah.

A. Manila's noisy challenging of Malaysian sovereignty over Sabah in 1968 belied its protestations of a commitment to regionalism, and nearly scuttled the nascent Association of Southeast Asian Nations (ASEAN).

B. Since early 1969, however, the Philippine claim has been muted, and Manila now indicates that the matter will be pursued in low key at the ASEAN meeting in mid-December.

V. Marcos' second term may bring about the cautious opening of relations with the USSR and Eastern Europe.

A. A feeling is growing in the Philippines that its historic aloofness from the Communist world is outmoded.

B. Fear of Communist China remains strong, and there will be no lowering of Manila's guard against Peking.

Condorcet

NAT. CHINA

4 December 1969

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REPUBLIC OF CHINA

- I. With extensive US support, the Republic of China (Taiwan and the off-shore islands) has become politically stable, economically viable and militarily strong over the past 20 years.
 - A. In theory a constitutional republic, it is really a one-man, one-party government which provides efficient although sometimes arbitrary rule.
 1. Power is centered in President Chiang Kai-shek and his elder son, Vice-Premier Chiang Ching-kuo, and the "mainlanders"--about 14 percent of the population--monopolize the government, the military security establishment, and the Kuomintang Party.
 2. National elections, to be held in mid-December for the first time since the 1948 election on the mainland, will be tightly controlled and will probably yield

CHI-1

an unqualified Kuomintang victory.

B. There is no organized opposition, although the native Taiwanese resent their under-representation in the government.

1. The regime has given highest priority to maintenance of internal security, and martial law still prevails throughout the country.

2. The homogeneity of the population has been a major cause of stability, but economic prosperity has also contributed.

II. The country, over the past decade, has made noteworthy economic progress, and has one of the fastest growing and most prosperous economies in Asia.

A. Official US grant economic aid, except for PL-480, ended in 1965, but growth continues despite the burden of heavy defense outlays.

B. The large military establishment of approximately 550,000 men is slowly being reduced to realistic size--in line with US urgings.

1. Reductions in manpower and phasing out of obsolete equipment are under way, but the government wants US aid in the form of more sophisticated military hardware,

CHI-2

especially aircraft and naval vessels.

III. Relations with the US have been generally cooperative and harmonious, but the government remains extremely sensitive to the possibility of a US policy shift that could adversely affect its security or its claim to be the legal government of all China.

- A. Taipei has strongly supported continued US presence in Asia, and is greatly concerned over the implications of any US withdrawal.
- B. The country's immediate diplomatic concern centers on offsetting losses sustained in its international position.
 - 1. Taipei has always been unwilling to accept any "two China's" solution; its stated policy is to break relations with any nation that recognizes Peking.
 - 2. Recent movements toward recognition of Peking by Canada and Italy, and the gradual increase in support for admission of Peking to the UN, are causing concern.

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THAILAND

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THAILAND

Foreign Policy

- I. Bangkok's number one problem is what to do about its future security.
 - A. Thailand has long based its foreign policy on a close alliance with the US as the best way to deter conventional military attack and foreign inspired insurgency.
 1. It has followed the US lead throughout the course of the Vietnam war, providing air bases and an infantry division to help the US prosecute the war.
 - B. Thai leaders have become increasingly apprehensive over what they view as a deteriorating willingness by the US to achieve a satisfactory solution in South Vietnam.
 2. They welcome the periodic assurances from US government leaders that the US will adhere to its commitments in Southeast

THAI-1

Asia, but feel it is only a matter of time before Washington is forced to accede to US congressional and public opinion pressures to reduce its role.

C. Bangkok's relations with the US have suffered over the war issue.

1. Thai leaders are chagrined at becoming the target of US war critics, and feel the US Government could do more to legitimize the Thai role.
2. They are not likely, however, to reduce their participation in the war without US concurrence.

D. Bangkok has no ready alternative to its dependence on the US.

1. The Thais continue to champion regional economic and political cooperation, backed by Western economic and strategic power, as the preferred solution.
2. They fully realize, however, the practical limitations of ASEAN and other regional groupings.

THAI-2

3. Should the US greatly reduce its presence in Southeast Asia, Thai leaders will be more inclined toward some accommodation with the Communist powers.

Insurgency

II. Communist insurgency in underdeveloped and isolated areas of the country is Bangkok's most pressing internal problem.

A. The primary target area of the insurgents is in the northeast, where insurgent operations center on guerrilla propaganda and terrorism at the village level, with occasional clashes with government security forces.

1. Bangkok has developed a comprehensive counterinsurgency program, heavily supported by US aid, which has kept the insurgents in the northeast off balance.

B. In the north and north-central provinces, the Communists have improved their tribal guerrilla organization and tripled their numbers in the last year, to about 1,600.

THAI-3

1. Bangkok has virtually ceded some mountainous areas near the Laotian border to the guerrillas, and is concentrating on low-land security.
- C. The Communists also may be making their first serious effort to develop support in the lowlands.
 1. The Communists here may run into more determined government security efforts, as well as widespread disapproval of Communist support for the unpopular nonethnic Thai tribesmen.
- D. Communist guerrillas in the mid-southern peninsular provinces--numbering about 400--are challenging the government's presence for the first time.
 1. Bangkok is a long way from developing the necessary programs to deal with a sustained guerrilla effort in the south.

Political

III. There has been considerable talk in government circles that the Thai leadership may be thinking of making some important governmental shifts.

A. The key move being talked about is the

THAI-4

replacement of Prime Minister Thanom Kittikachorn.

1. He presumably would be succeeded by deputy Prime Minister Praphat. The transition would be orderly, and with the Prime Minister's acquiescence.
- B. Such speculation underlines the delicate nature of the factional balance which has supported the Thanom government over the years, but which could be upset by those who feel the time for change has come.

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NEPAL

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NEPAL

*Unreliable. Indian
satellite*

- I. Nepal's main foreign policy problems are with its neighbors--Communist China and India--not the US.
 - A. The Nepalese are interested in the United States mainly as one means of offsetting Chinese and Indian influence.
 - B. There is some concern in Nepal that we will back India against Nepal because India is a more important country. The Nepalese have been assured that this is not so.
 - C. The government is also concerned about Vietnam, Sino-Indian and Sino-Soviet problems, primarily because it thinks Nepal might be caught in any major escalation of these problems.
- II. The Indians--and the British before them--have been the dominant foreign influence in Nepal, and the Nepalese are now trying to assert their independence.
 - A. They want to end the Indian military mission in Kathmandu and the Indian-manned observation

NEP-1

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posts on the Nepal-Tibet border.

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- B. There is little Nepal can do about Indian economic influence, since New Delhi is now the largest aid donor to Nepal and about 90 percent of Nepal's trade is with India.
- C. King Mahendra may think the Indians are backing his political enemies. Some non-Communist opposition leaders do live in India, but as far as we know the Indians are not supporting them.

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IV. The Nepalese apparently have decided that the only answer to the Chinese threat is to try to get along with Peking.

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- A. Kathmandu has tried to avoid offending China, but is by no means under Chinese influence.
 - B. There is some Chinese subversive activity in Nepal, but so far it is not a danger to the government.
- V. King Mahendra appears firmly in control of the country.
- A. He exercises autocratic control over the legislative system--a series of assemblies called panchayats--and the cabinet is a rubber stamp.
 - B. There is no effective opposition, even though there is some dissatisfaction with the King's tight rule.
- VI. Nepal is one of the poorest and least developed countries in Asia, but is self-sufficient in food.

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AFGHANISTAN

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AFGHANISTAN

- I. King Zahir--the predominant political force in Afghanistan--remains committed to his "experiment in democracy," although the past two years have been rocky ones under the new system.
 - A. Economic stagnation plagues the country, and needed development programs have become bogged down in the inexperienced, slow-moving parliament.
 - B. The government's uncertain, ineffective reaction to student and incipient labor unrest has generated some skepticism about the "experiment" among educated Afghans.
 - C. The country nevertheless has maintained a surprising degree of stability despite these evident strains of modernization.
- II. The second parliamentary elections under the 1964 constitution were successfully carried out in August and September 1969.

AFG-1

- A. The new parliament may be even more conservative and less favorable to reform legislation than the last. Provincial landlords, village and religious elders predominate in the Lower House.
 - B. Many educated candidates and incumbents were defeated, and the acknowledged pro-Communists lost seats.
 - C. The new legislature's performance will ultimately depend as much upon executive leadership and royal guidance as upon its own members' initiative.
- III. Nur Ahmad Etemadi, reappointed Prime Minister, won a vote of confidence from parliament last week.
- A. Etemadi was indecisive and undynamic in his previous two-year Prime Ministership, and is not likely to exert forceful or imaginative leadership.
 - B. There was an unexpectedly large turnover in his new cabinet, and there are many youthful and Western-educated freshman members. Some of the best economic experts are gone.

- IV. In foreign affairs, Afghanistan continues to maintain its independence through a nonaligned and neutral stance, although Soviet influence and presence in the country are predominant.
- A. Afghanistan would have to back the Soviet position if forced to choose sides on a question like Vietnam, but it has so far avoided involvement.
- B. Nevertheless, the Afghans state privately that a continued US presence is essential to the balance of power in South and Southeast Asia.
- V. Afghanistan has no significant outstanding problems with the United States, but does hope that US economic and token military assistance will continue. The Afghans might solicit US views on a South Asian regional transit arrangement, their relations with Pakistan, and the plans of the new Afghan Government.

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MALAYSIA

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MALAYSIA

- I. Malaysia's highly unpredictable and delicate balance of its Malayan and Chinese communities still poses a potentially disastrous threat to internal stability and to the Malay-led government in Kuala Lumpur.
 - A. The government has been led since the May 1969 riots in Kuala Lumpur by a National Operations Council--or NOC--headed by the deputy prime minister, Tun Abdul Razak.
 - B. Razak and the NOC have been heavy-handed in dealing both with extremist Malays--the so-called "ultras" who feel that their privileged position is being threatened--and with Malaysian Chinese. The Chinese bore the brunt of the May violence.
 - C. The NOC's rule by fiat has also caused grumbling in Sarawak and Sabah, where Malays constitute only small proportions of the populations. Elections in both states were postponed, and no new polling dates have been set.

MAY-1

D. The virtual expulsion of both Chinese and Indians from positions of influence within the government makes further outbreaks of racial violence even more likely in West Malaysia. The only Chinese attached to the government are probably looked on by their own community as "Uncle Toms."

II. Apart from the tinderbox local situation in West Malaysia, the country is also coping with a modest resurgence of Communist activity.

- A. The militant arm of the Communist Party of Malaya -- known as the Communist Terrorist Organization, or CTO -- is trying to make a comeback into Malaysia. For more than eight years it has remained generally dormant in the jungles of southern Thailand.
- B. The CTO's have provoked exchanges with Malaysian security forces in areas close to the Thai border several times in recent months, and are trying to re-establish support among both Chinese and Malays in the northern states of West Malaysia.
- C. Malaysia has beefed up its military and paramilitary forces to cope with the problem, and

CTO forces have usually come off a bad second in their encounters with the Malaysian authorities.

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- III. Malaysia's foreign policy is still directed toward the West, although there has been increased interest in developing some economic ties with Communist countries.
- A. Kuala Lumpur and Djakarta have established fairly good working relations since the advent of the Suharto government. Official discussions have even included the possibility of mutual defense.
 - B. Relations with Singapore are still wary. Some Malaysian spokesmen claim to be afraid that Singapore's growing defense mechanism could be aimed north, particularly if any serious anti-Chinese pogroms should take place. This, however, would be highly unlikely.
 - C. Kuala Lumpur and Manila are still at odds over the Sabah dispute. They plan to discuss

the question of sovereignty over the area this month, but Malaysia's conditions seem certain to be unacceptable to the Philippine government. This issue will probably hang fire for some time to come.

IV. Malaysia's economic situation is stable and booming, thanks largely to its efficient production of tin and rubber.

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SINGAPORE

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SINGAPORE

- I. Singapore, under the leadership of Prime Minister Lee Kuan Yew, is both stable and prosperous.
 - A. Lee, a socialist who in his early political days was closely associated with Communist elements in the then-colonial state, has been fierce in his measures to keep Communism under control in his country. He has continued to make use of internal security regulations which the British originated to arrest and detain any Communists or Communist sympathizers he thinks might be dangerous.
 - B. The pro-Communist Barisan Socialis Party--Singapore's leading opposition to the government's People's Action Party--is weak. Any potential the Barisan might have had for meaningful anti-government activity--little at best--has been further dissipated by recent dissension within its own ranks.
- II. Singapore's external orientation is directed toward the West, although it has established diplomatic,

SING-1

consular, and trade relations with a number of Communist countries.

A. Singapore has built up its own defense forces from scratch, and its army now numbers only about 6,000. It hopes to be able to base its future defense policies on the nascent five-power alliance involving Singapore, Malaysia, Australia, New Zealand, and the UK.

1. Singapore is afraid, however, that the alliance will prove fragile. The UK is determined to withdraw militarily by 1971, and Australia and New Zealand do not appear to be adequate substitutes.

B. Singapore is also wary that Malaysia and Indonesia might join in a squeeze move against the island state. Any such move would presumably consist primarily of some sort of economic moves to reduce the heavy Malaysian and Indonesian reliance on Singapore's entrepot role.

III. Singapore's bustling entrepot economy gives it one of the highest per capita incomes in Southeast Asia.

A. A recent development and expansion program of local industry has effectively reduced

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unemployment, and Singapore is now relaxing
previously stringent foreign employment and
immigration regulations.

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INDONESIA

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INDONESIA

- I. The Suharto government in Indonesia has three major domestic policies: the continuation of the economic recovery program, the continued suppression of Communism; and the development of some form of representative government which ensures stability but at the same time accords adequate participation to the country's non-Communist political elements.
- II. With the guidance of the International Monetary Fund and foreign financial assistance, Indonesia has largely stabilized its currency. A Five-Year Economic Development program was launched last April.
 - A. The program emphasizes agriculture (with a goal of food self-sufficiency in the 1970s) and infrastructure.
 - B. Indonesia's economic program depends heavily on the continued infusion of foreign assistance.

INDO-1

1. This is being supplied chiefly by a group of Western nations and international organizations which have pledged a total of approximately one billion US dollars since 1967. Only about half of this has been utilized.
 2. These donor nations have also annually postponed payments on debts that Indonesia negotiated during the Sukarno period.
 3. Indonesia, however, is unable to meet even these rescheduled payments, so a new and longer-term rescheduling is now being considered which would permit re-payment over a 30-year period.
- C. Indonesia's largest single creditor is the Soviet Union; these debts too were contracted during the Sukarno era.
1. Indonesia has made no payments under a rescheduling negotiated in 1966. Instead Djakarta has suggested that the USSR should also reschedule again, this time along lines now being considered by the Western nations.

INDO-2

2. Some such arrangement seems likely to be worked out, but it will take time.

III. The army successfully crushed a Communist coup in 1965 and a resurgent effort in 1968, and continues a tight intelligence-security effort against party remnants.

A. The Communists are split into two ineffective factions, both of which are pro-Peking in the sense that they see the ultimate need for armed struggle. The larger faction, however, urges current rebuilding, while the smaller demands an immediate military effort.

B. The government plans in 1970 to release those Communist prisoners--some held since 1965--who had little status in the movement. The more indoctrinated Communists are being resettled in agricultural colonies, either in "closed villages" or on remote islands. The hard core--some 5,000--will remain in prison and eventually are to be brought to trial.

IV. Civilian elements have been accorded a significant role in the Indonesian Government, but ultimate control remains in army hands.

INDO-3

- A. The army sees the need to perpetuate its political role, certainly until economic recovery has been achieved.
- B. Under present plans, elections are to be held in 1971, but enabling legislation is still incomplete.
 - 1. Approximately three-fourths of the parliamentary seats and two-thirds of those in Congress (Congress makes policy and Parliament legislates) are to be elected. The government--presumably the president--will appoint the remainder.
- V. Although Indonesia follows a nonaligned foreign policy, its post-Sukarno international relations have been weighted toward the West, from which it receives critically needed financial assistance.
 - A. Largely because of Indonesia's strongly anti-Communist domestic stance, relations with the USSR and Eastern Europe have been correct but cool in the post-Sukarno era, and ties with China were suspended in 1967.
- VI. Other than negotiating aid, Indonesia's principal international interest is that of developing

INDO-4

regional influence in Southeast Asia.

- A. With the largest population in Southeast Asia, Indonesia sees itself as the potential area leader, particularly as Western forces either withdraw or reduce their presence.
- B. The principal potential vehicle for this influence is the five-member Association of Southeast Asian Nations (ASEAN), established in 1967; other members are Thailand, Philippines, Malaysia, and Singapore.
 1. Indonesia has been the most active member in trying to keep the organization alive; ASEAN's activities are currently limited to marginal economic and cultural matters.

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AUSTRALIA

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AUSTRALIA

- I. The Liberal-Country coalition government under Prime Minister John Gorton, which was narrowly re-elected in October, can look forward to repeated challenges from the opposition Labor Party when parliament reconvenes in February or March.
 - A. With a parliamentary majority of only seven votes, Gorton, who is personally unpopular with both his party and the public, may not last long.
 - B. He will probably hang on, however, until after the Senate elections in late 1970.
- II. The Australian economy is booming, largely due to exploitation and export of minerals. The Japanese have taken a large share of this new output.
 - A. US investment is playing a large role in the expansion of the Australian economy, and Australians--although aware of the need for foreign capital--are concerned over this American control of a substantial segment

AUS-1

of their resources and business.

1. The government has suggested some controls over foreign investment, but nothing is definitely in the works at this time.

- B. Australia is also concerned over its unfavorable trade balance with the US, and has difficulty accepting US restrictions on the import of some of Australia's more important products, especially meat and wool.

III. Australia views its alliance with the US--based on the ANZUS treaty and the SEATO treaty of 1954--as the keystone of its security structure and foreign policy. Aside from the American alliance, it is also committed to playing a significant role in Southeast Asia.

- A. Australia has ground, naval, and air forces totalling 8,000 men in South Vietnam, chiefly in response to a US request phrased in terms of SEATO responsibility.

1. Gorton publicly approved President Nixon's 3 November speech on Vietnam, and said that Australian troop recall would be phased into American withdrawal as the latter becomes possible.

AUS-2

2. The government has enjoyed strong but gradually diminishing support on its Vietnam position; in September a poll indicated that over 50 percent of Australians favored withdrawal of troops from Vietnam.

B. Australia has positioned ^{2,900} ~~2,900~~ troops in the Malaysia-Singapore area, and is committed to maintain a presence there after the British withdrawal at the end of 1971. The country is one of the Five-Power Commonwealth group which has undertaken to oversee Malaysian-Singapore defense.

C. Australia has long been active in economic and cultural assistance programs in Southeast Asia.

1. Its principal contribution (other than to the Territory of Papua - New Guinea, which Australia administers) is to Indonesia, Australia's nearest and largest neighbor.

IV. The opposition Labor Party, like the government, strongly subscribes to the American alliance and to sustaining a significant economic role in Asia.

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- A. It would, however, withdraw troops from Vietnam and reduce the military commitment in Malaysia-Singapore.
- B. It would also sign the Nuclear Nonproliferation Treaty, which the Liberal-Country coalition so far has refused to do.

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NEW ZEALAND

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NEW ZEALAND

- I. The National Party government under Prime Minister Keith Holyoake was narrowly re-elected in November to another three-year term.
- II. New Zealand's principal interest is continued economic recovery from a low in 1966, when a large balance of payments deficit developed and the government had to impose austerity measures.
 - A. The balance of payments is now favorable, but recovery has not reached the point where controls can be relaxed.
 - B. Moreover, New Zealand still faces the problem of finding markets for its major exports--wool and meat.
 - C. In addition to trying to expand overseas sales for traditional products, the government is pressing for increased diversification of the economy.

NZ-1

1. This effort includes manufacture of new products, further processing of exports, and exploration for oil.

D. New Zealand remains gravely concerned over the possible loss of its special treatment in the UK market should the United Kingdom enter the Common Market.

III. New Zealand has consistently supported US foreign policy in East Asia, and the American alliance--based on ANZUS and SEATO--retains a broad base of public and bipartisan support.

A. New Zealand has a combat contingent in South Vietnam of 550 men, composed of an artillery battery and two infantry companies.

1. Holyoake publicly approved President Nixon's 3 November speech on Vietnam and pledged continued support.
2. The government's position on Vietnam rests not so much upon recognition of a threat to New Zealand as on a feeling that New Zealand must stand by the US, its principal ally and protector.

NZ-2

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B. In view of this support for the US, American restrictions on imports of New Zealand's principal products are widely resented and pose a political problem for Prime Minister Holyoake.

IV. Despite continued broad support for the American alliance, there are signs of vague dissatisfaction with it.

A. New Zealanders, lonely and dependent in their far corner of the Pacific, are slightly but increasingly resentful that the US has not taken on the role of economic protector--as the UK did--as well as that of military defender.

B. During the last two years a small but noticeable neutralist feeling has appeared, reflecting stirrings of student unrest and dissent on the Vietnam war.

V. New Zealand has followed Australia's lead in playing a role in Southeast Asia.

A. It maintains an ³⁰⁰~~420~~-man military contingent in the Malaysia-Singapore area, has 21 combat

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engineers in Thailand, and administers a small economic and cultural assistance program to various nations in the area.

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VIETNAM

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VIETNAM

Hanoi Leadership

- I. Ho Chi Minh's death three months ago has not had a discernible impact on Communist strategy or tactics in the war.
 - A. Hanoi appears to have kept the lid on the morale and management problems that Ho's passing must have posed for the new regime.
 1. The potential for trouble among his successors is still great, but there are no real suggestions that the regime has been hamstrung by leadership rivalries.
 - B. The men now in charge in Hanoi are fired with the same determination to extend Communist control over all of Vietnam that drove Ho on for so many years.
 1. But the prevailing view in Hanoi seems to be that the struggle must be pursued in ways which hold down the expenditure

VN-1

of North Vietnamese manpower, and which do not set back indefinitely economic construction and the building of an orthodox Marxist regime in North Vietnam.

2. Trouble could crop up if the demands of the war in the South get in the way of the goal of "building socialism" in the North, as they have in the past.

Military Strategy in the South

II. In South Vietnam, Hanoi's strategy for the war still consists of trying to frustrate allied programs and to maintain a credible Communist threat until the Communists are given or have seized a solid position of power.

- A. In the years when the US was steadily increasing its commitments to the war, Communist tactics were designed largely to demonstrate that an allied victory was not feasible in any period of time acceptable to the United States.
- B. But now that the US is bent on Vietnamizing the war--in effect on continuing the struggle with less reliance on US combat forces--Hanoi

is confronted with a need for new choices of tactics.

1. The Communists must calculate that the growing strength and effectiveness of the GVN and its armed forces, coupled with strains and losses in Communist ranks, make it possible that under the Vietnamization program, the Communists could be fought and contained indefinitely.
- C. It seems to us that Hanoi has two broad options: to take the risks of a prolonged reduction in its own military efforts in the hope that this would speed the departure of US troops; or to accept the costs and strains of trying to demonstrate militarily that Vietnamization will not work.
1. Reduced Communist military activity between June and early November this year suggested that Hanoi was hoping to induce the US to accelerate American troop withdrawals, and perhaps to cut back on allied operations against the Communists as well.

VN-3

2. Now, however, there are increasing indications that the Communists are trying a forceful challenge to the Vietnamization program, and that their military and political actions in the months ahead will be focused on this objective.
- D. The increase in North Vietnam's infiltration activity since late October is one of the best indications that Hanoi has no intention of simply letting the fighting in South Vietnam fade away.
 1. Infiltration clearly is on the rise, although it is too early to be certain how high it may go or how long a higher rate may be maintained.
 2. It is only prudent to assume, however, that increased infiltration now means that the Communists are planning for heavier fighting in the early months of 1970.

The Negotiations

- III. In the Paris talks, there are no signs that the Communists are in any way ready to alter the

VN-4

inflexible approach they have maintained for so long.

A. We think we detect in Hanoi's reaction to Ambassador Lodge's resignation some concern that the US may be downgrading the talks.

1. The Communists do not like this possibility, not only because Paris provides them with a highly useful propaganda forum, but because they still consider the talks a serious venture.

B. We have long been puzzled as to why the Communists have not played their diplomatic cards with more subtlety, at least to the extent of trying to draw us more deeply into negotiations in the hope of driving a wedge between Washington and Saigon.

1. The chances that they might do so now by loosening up their approach in Paris seem quite remote, however.

South Vietnamese Politics

IV. On the political scene, there has been more open protest and criticism of the government during the past six weeks than during the whole preceding year.

- A. The agitation began in late October, after the government took the country by surprise with a new austerity tax.
1. The tax was aimed at imported goods consumed mostly by the well-to-do, but merchants used the confusion to raise prices across-the-board, hitting everybody.
 2. Virtually all South Vietnamese, including army officers and civil servants, bitterly blamed the government. Political unrest spread across the country overnight.
 3. For the first time since October 1968, coup rumors were considered plausible and were widely circulated.
- B. Many opposition elements who had been biding their time have now moved into the open to challenge the government.
1. First, deputies in the National Assembly conducted an extremely hostile inquiry, similar to those which had contributed to the downfall of Prime Minister Huong last August.
 2. Then the ambitious and opportunistic Senator Tran Van Don suggested a "Third

Force" movement as an alternative to both the government and the Communists.

3. Don apparently expected President Nixon to qualify US support for the government in his November 3rd speech, and he made the suggestion with a view to offering himself as a bridge between the allies and Communists at some later date.
4. At the same time, General "Big" Minh allowed himself to be associated with Don in the public eye, and he challenged the government to take a sounding to see if it had public support.
5. Next, ethnic Cambodian monks staged a five-day sit-in in front of the Presidential Palace in Saigon to protest government handling of their minority interests.
6. Last weekend the militant Buddhists defied a government injunction and issued a political manifesto condemning both sides of the war alike.

C. These elements evidently have come out

into the open because they sensed that the government was on the defensive, and, most important, they decided they could get away with it.

D. The government is taking great care not to overreact to these challenges.

1. President Thieu is a suspicious and frequently nervous man, but to all outward appearances he has kept his cool.

2. President Nixon's 3 November speech clearly strengthened Thieu's confidence that he could cope with any likely internal unrest.

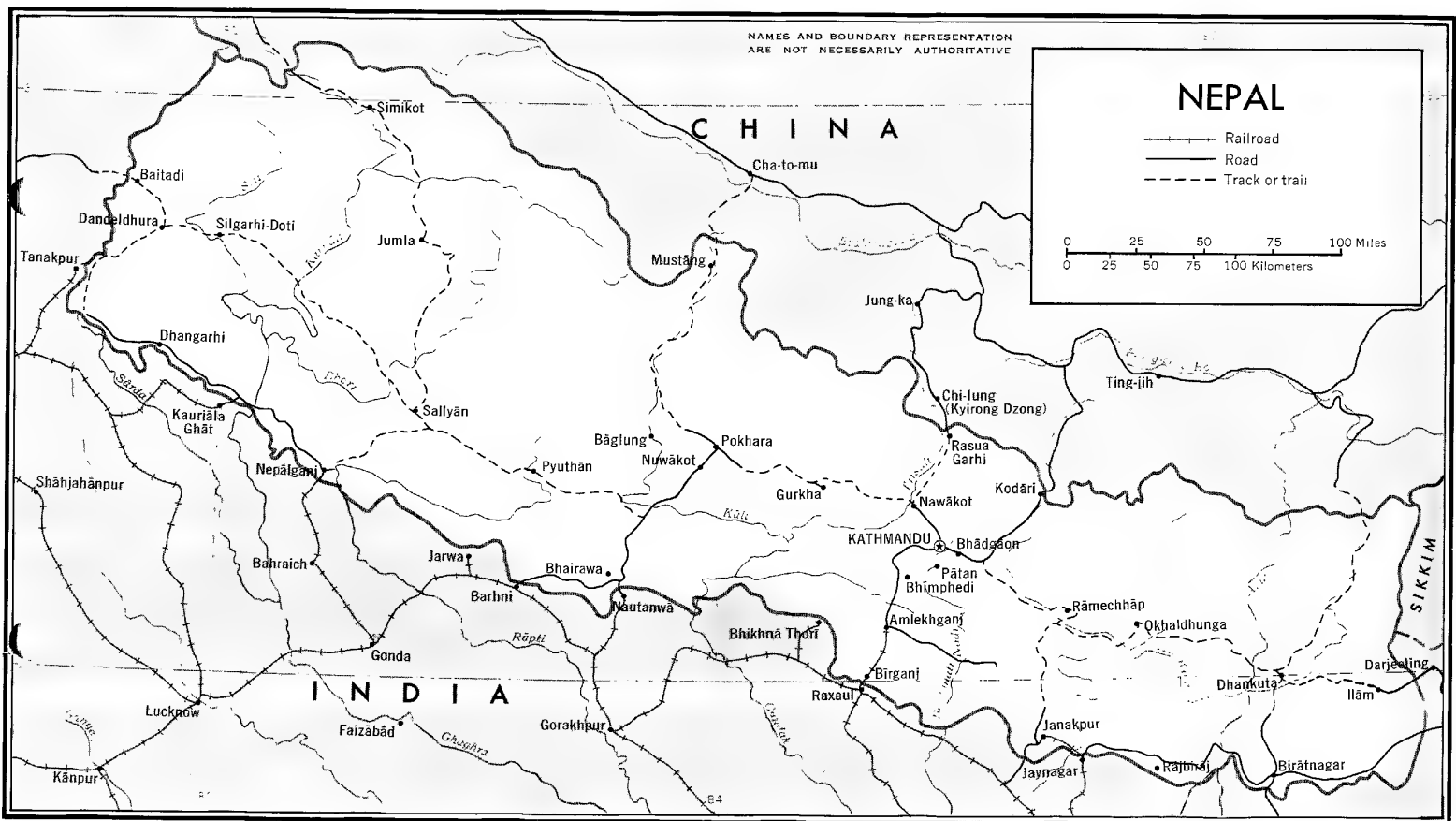
E. Taken singly, none of these elements has enough political clout to threaten stability, and with the atmosphere tending to calm down, it is highly unlikely that the various dissenters will be able to act in concert.

1. The My Lai massacre case, however, has given government critics a new issue, and the repercussion may become severe.

V. So far, Vietnamese military and political authorities seem to be taking Vietnamization withdrawals in stride.

A. Thieu apparently feels that the better the South Vietnamese Army takes on new responsibilities, the more smoothly Vietnamization will work, and the less pressure there will be from Americans .doves for precipitate withdrawal.

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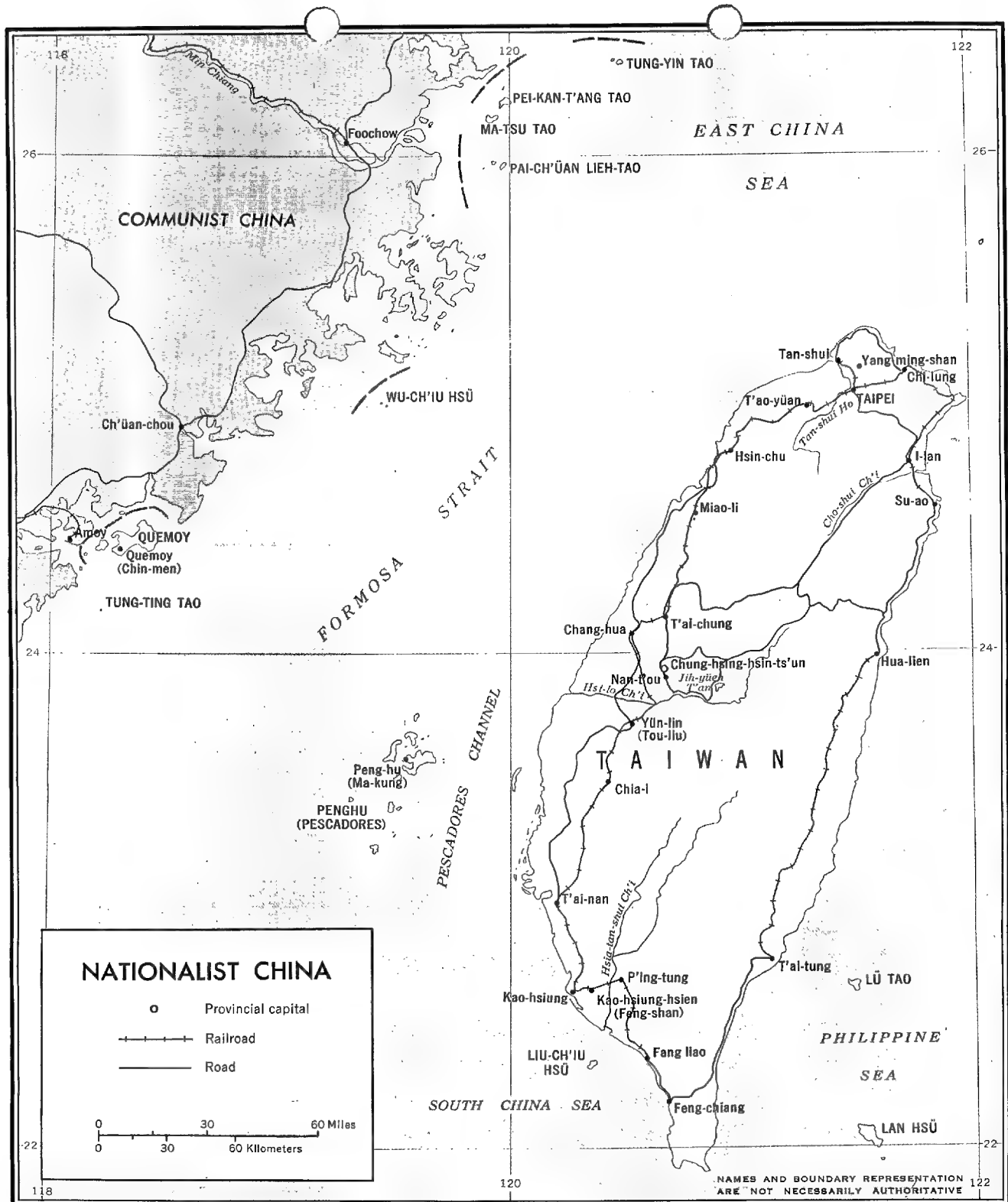


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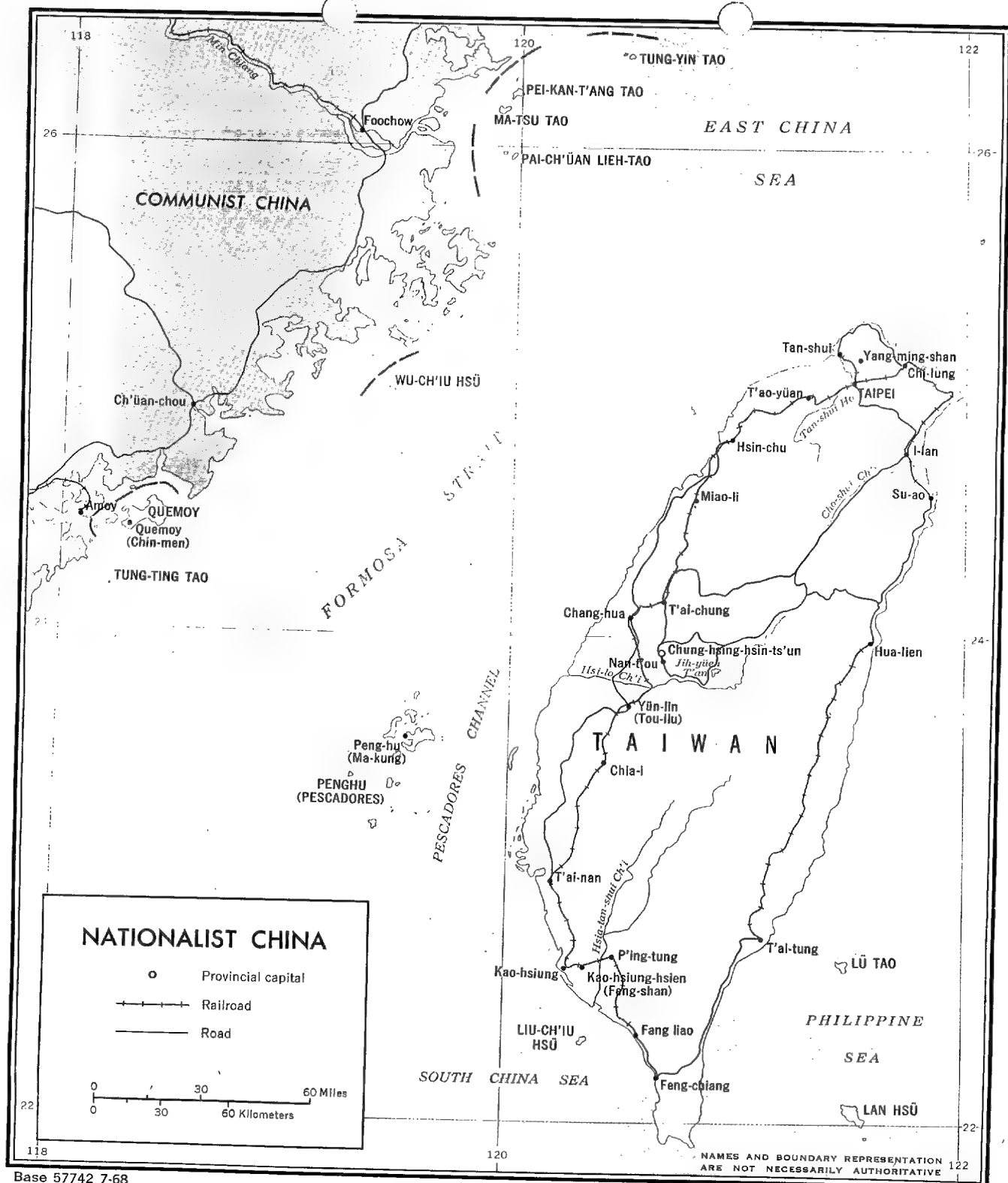
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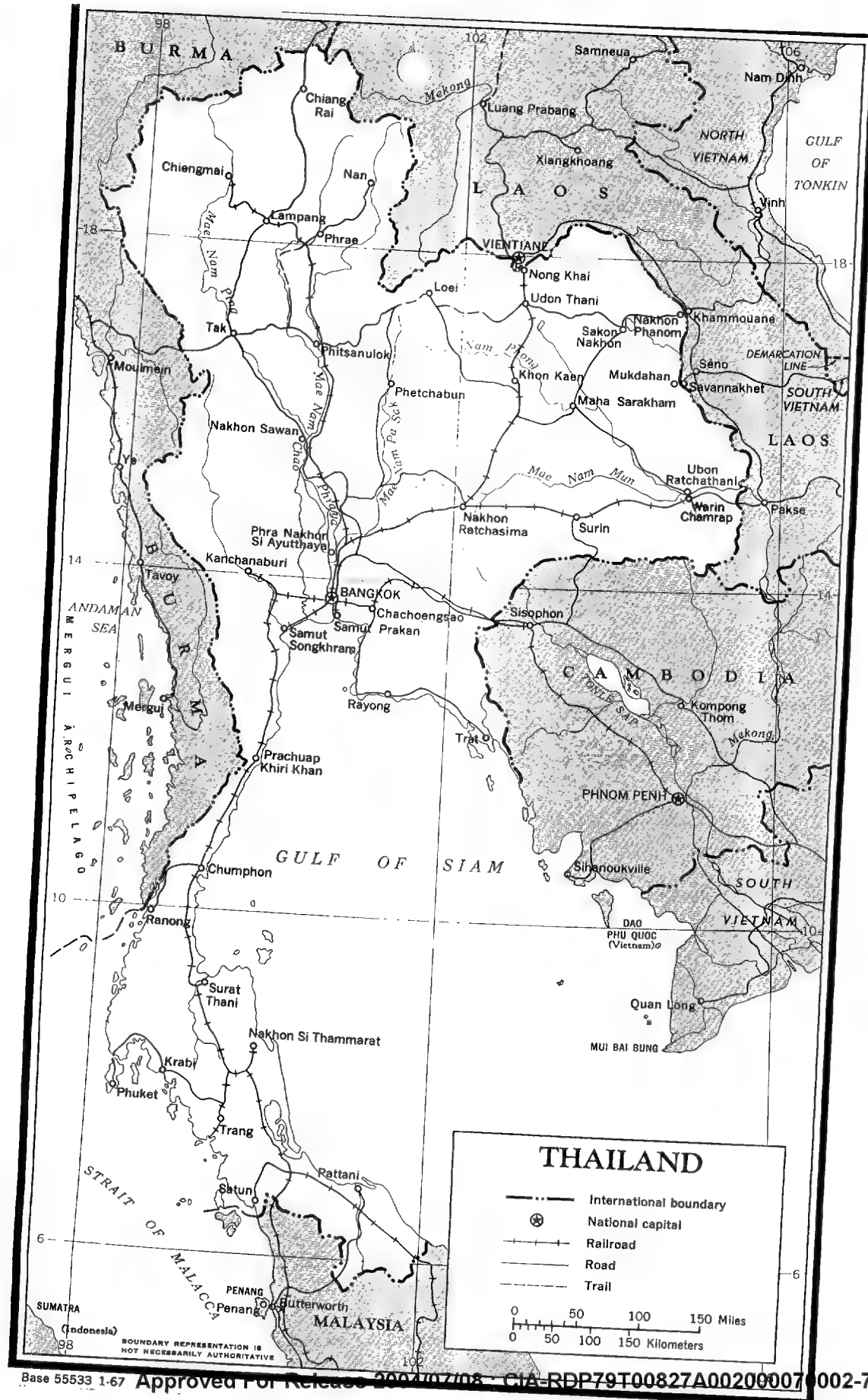


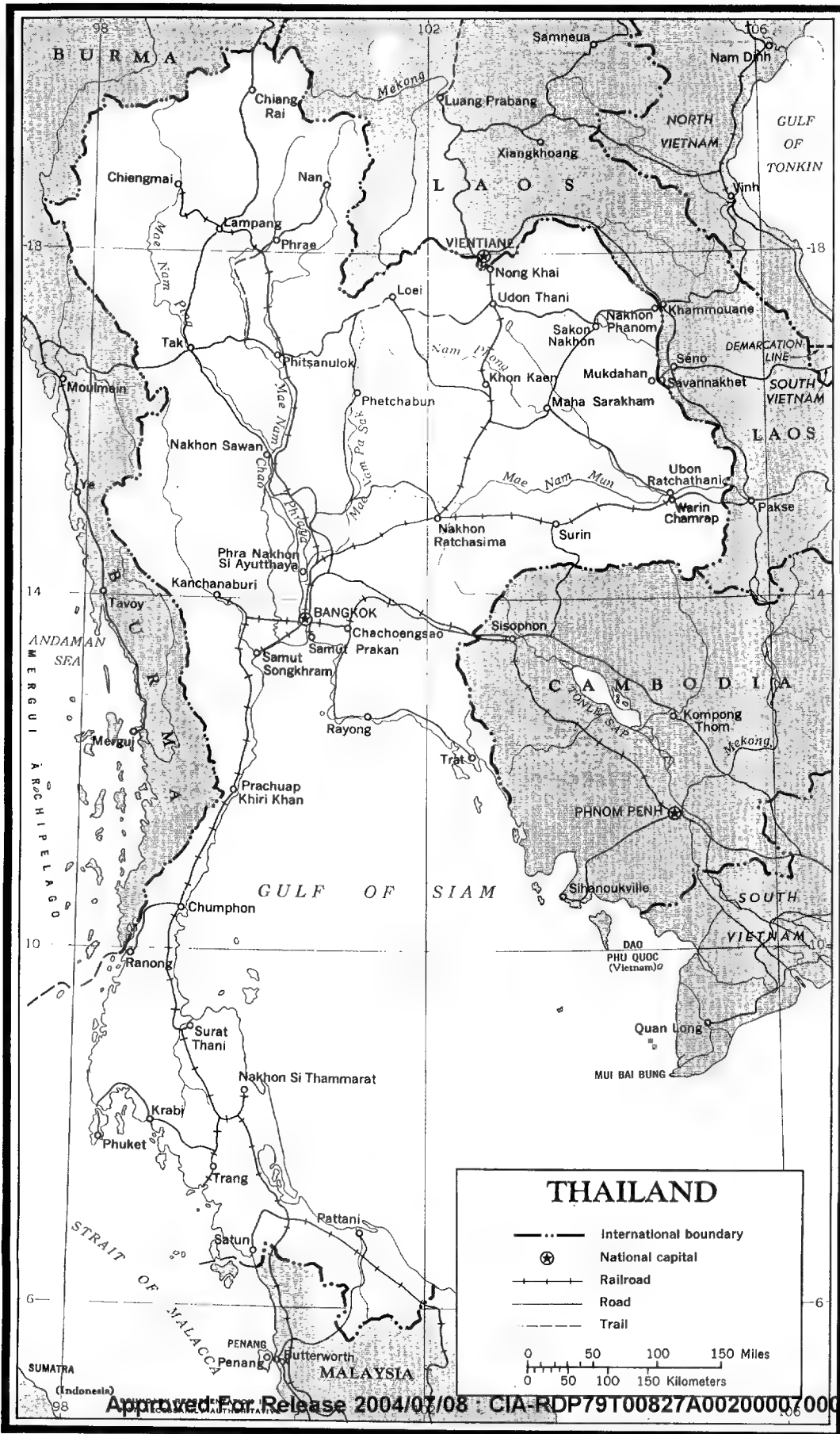


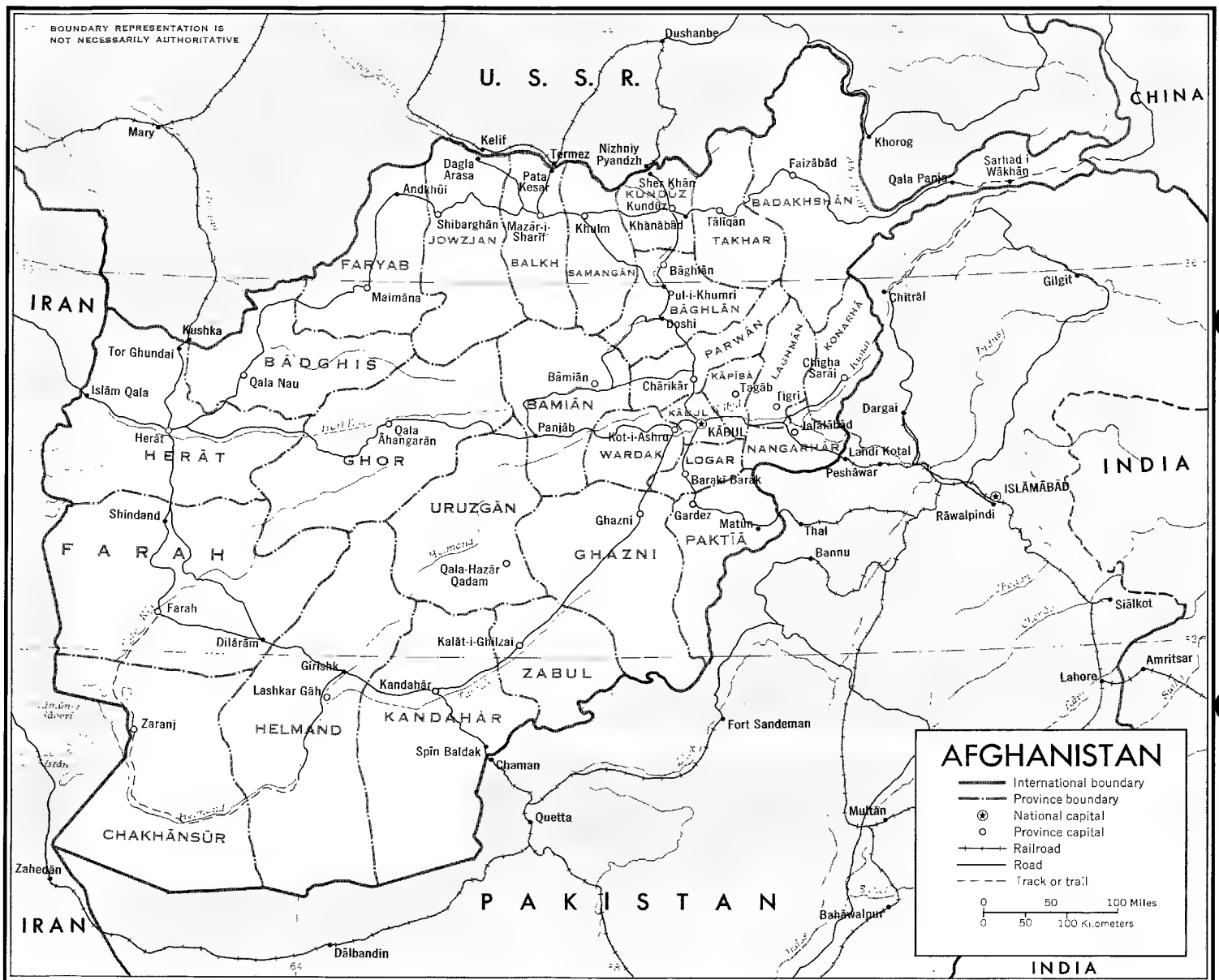
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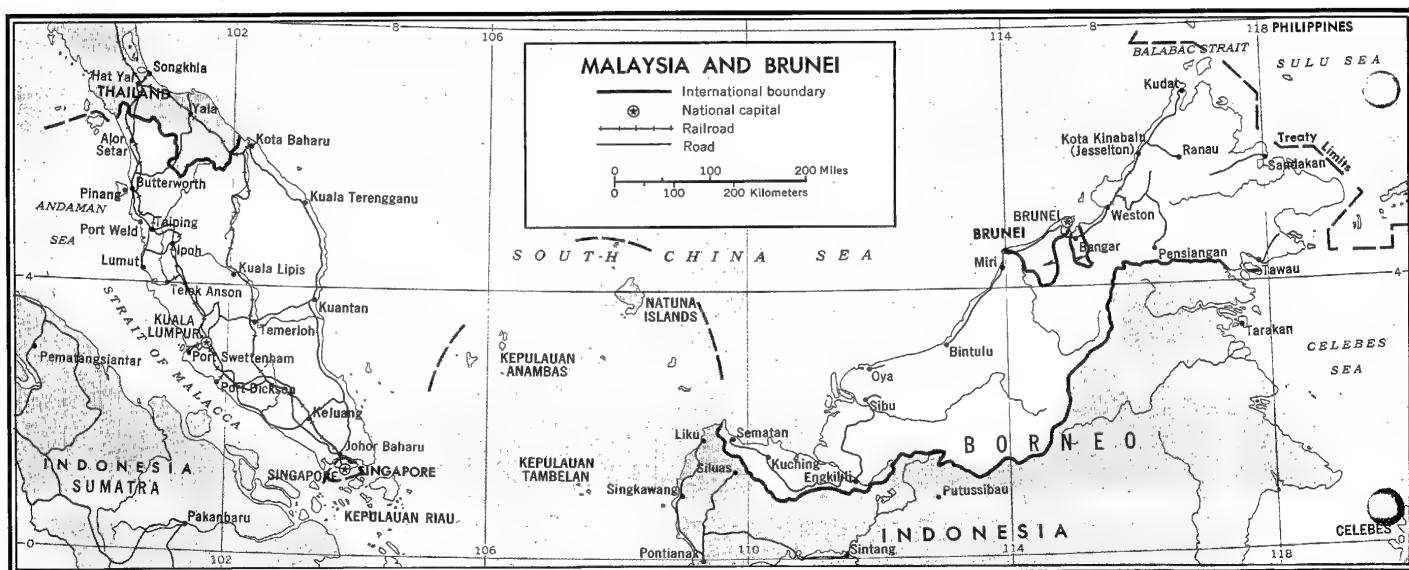
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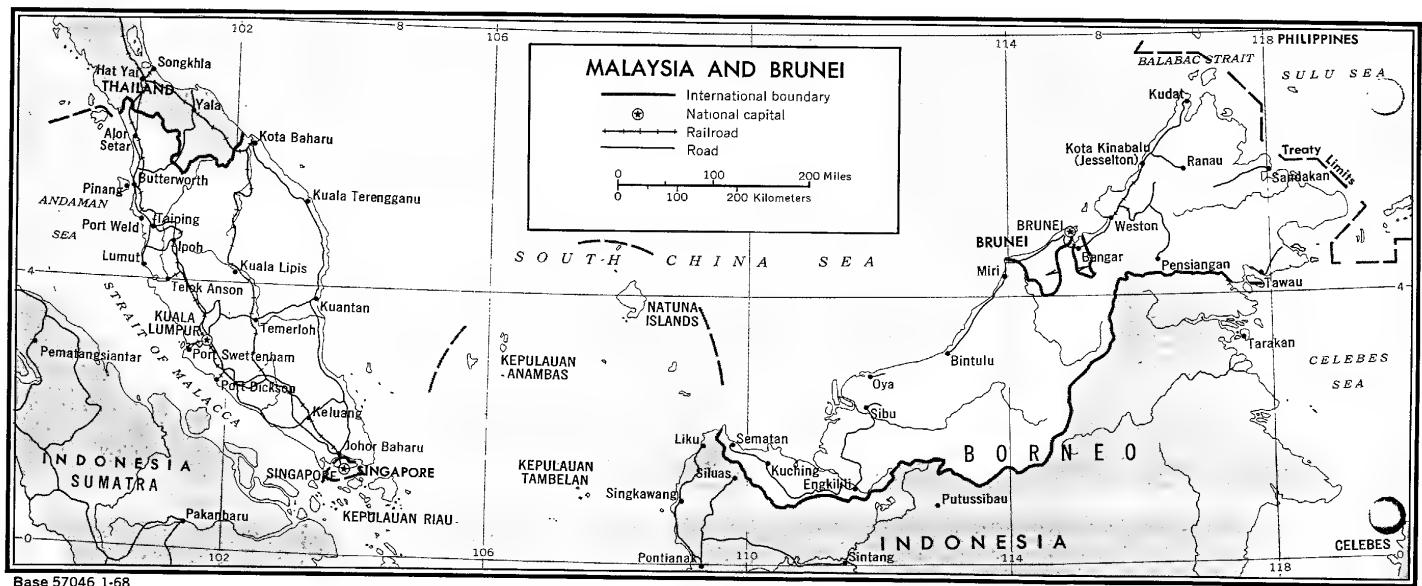
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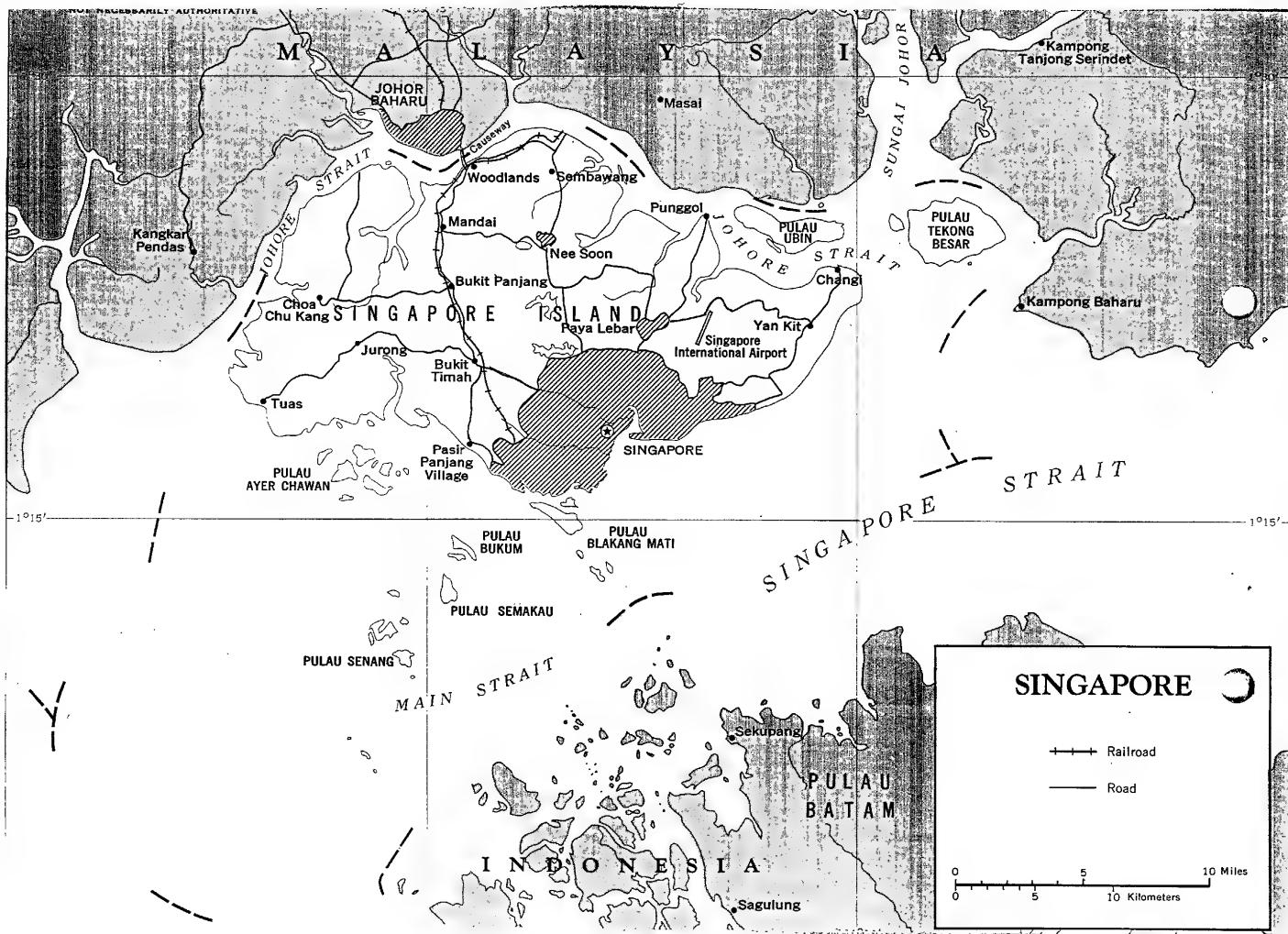
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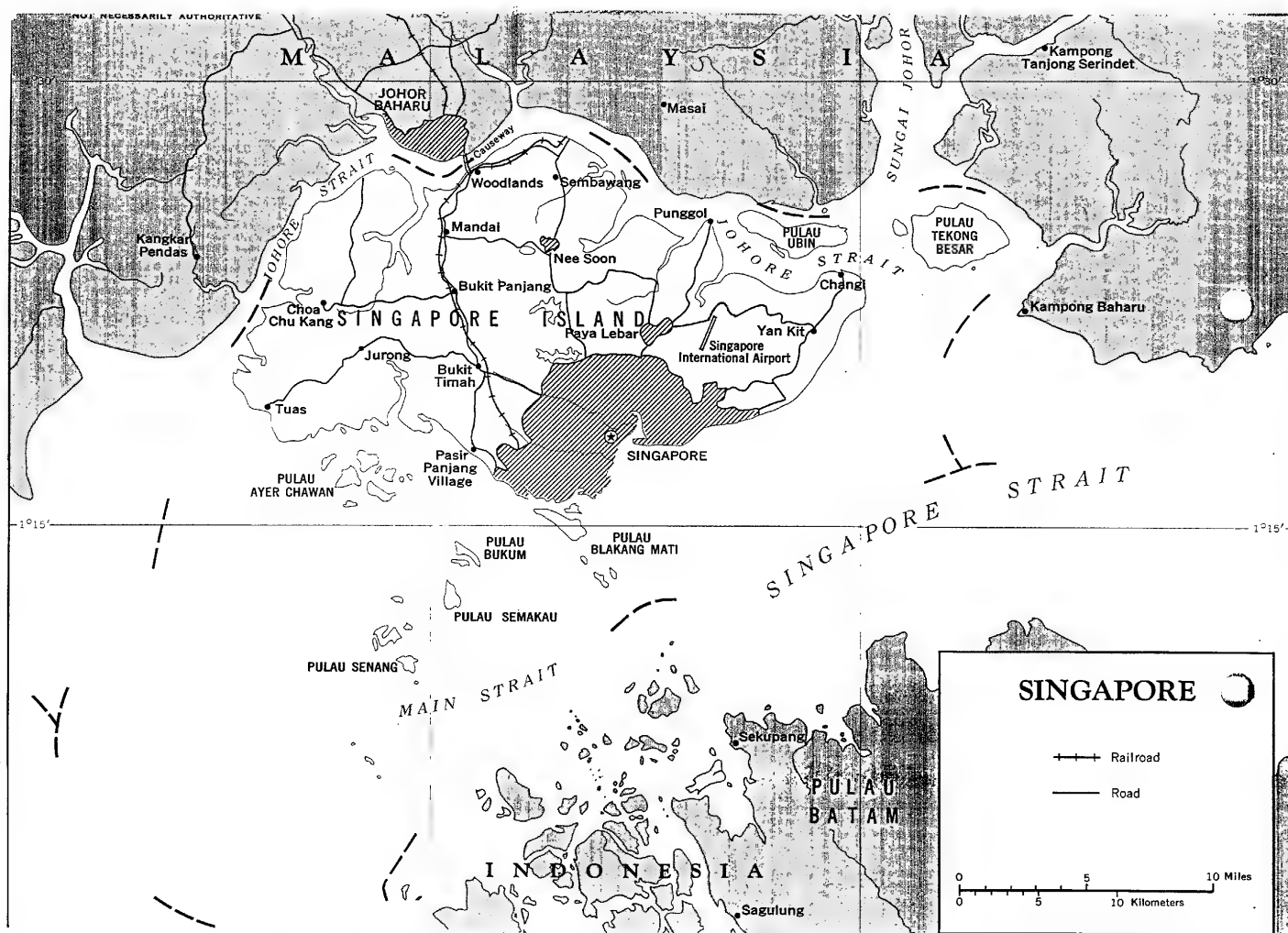
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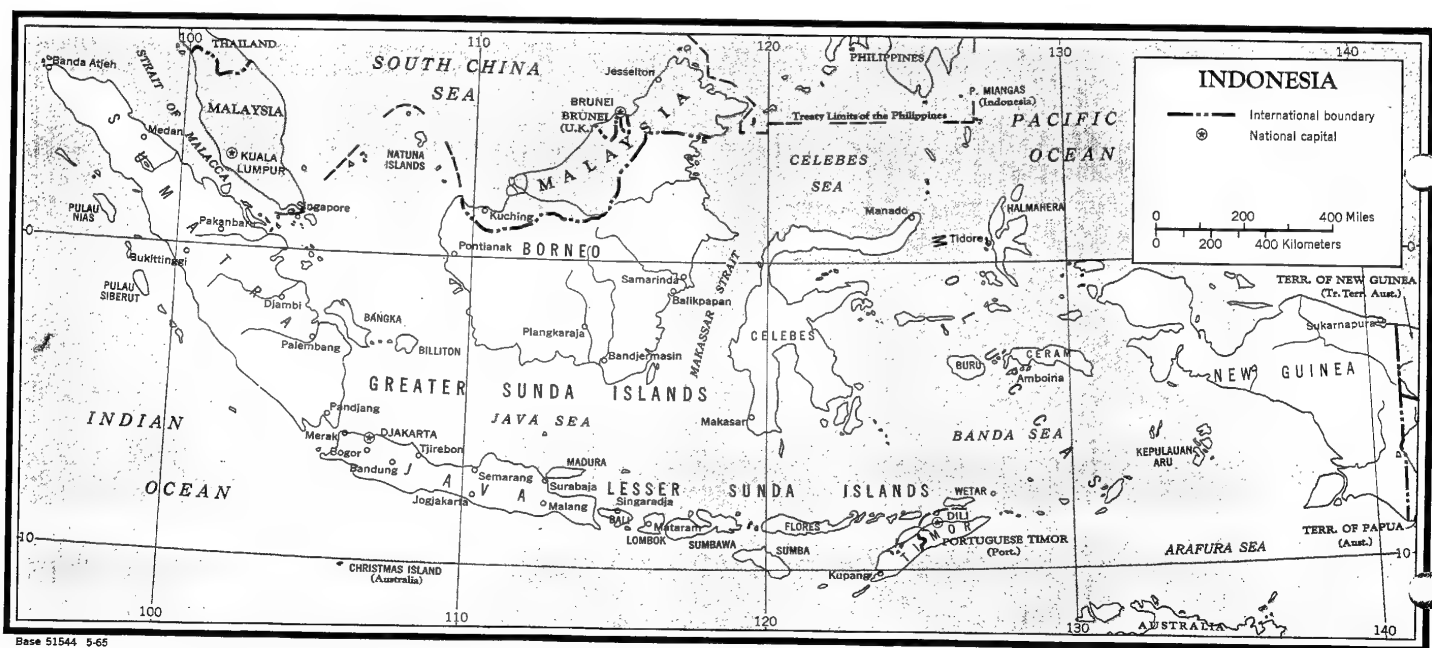
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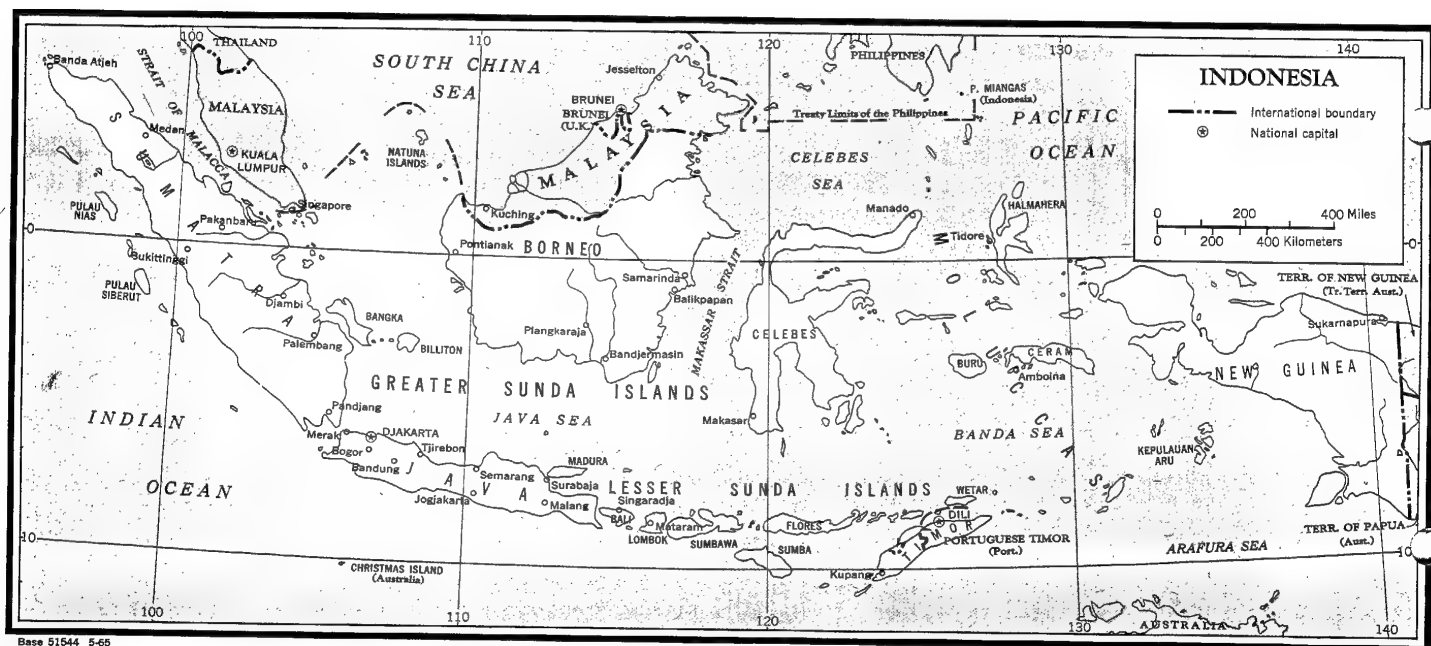
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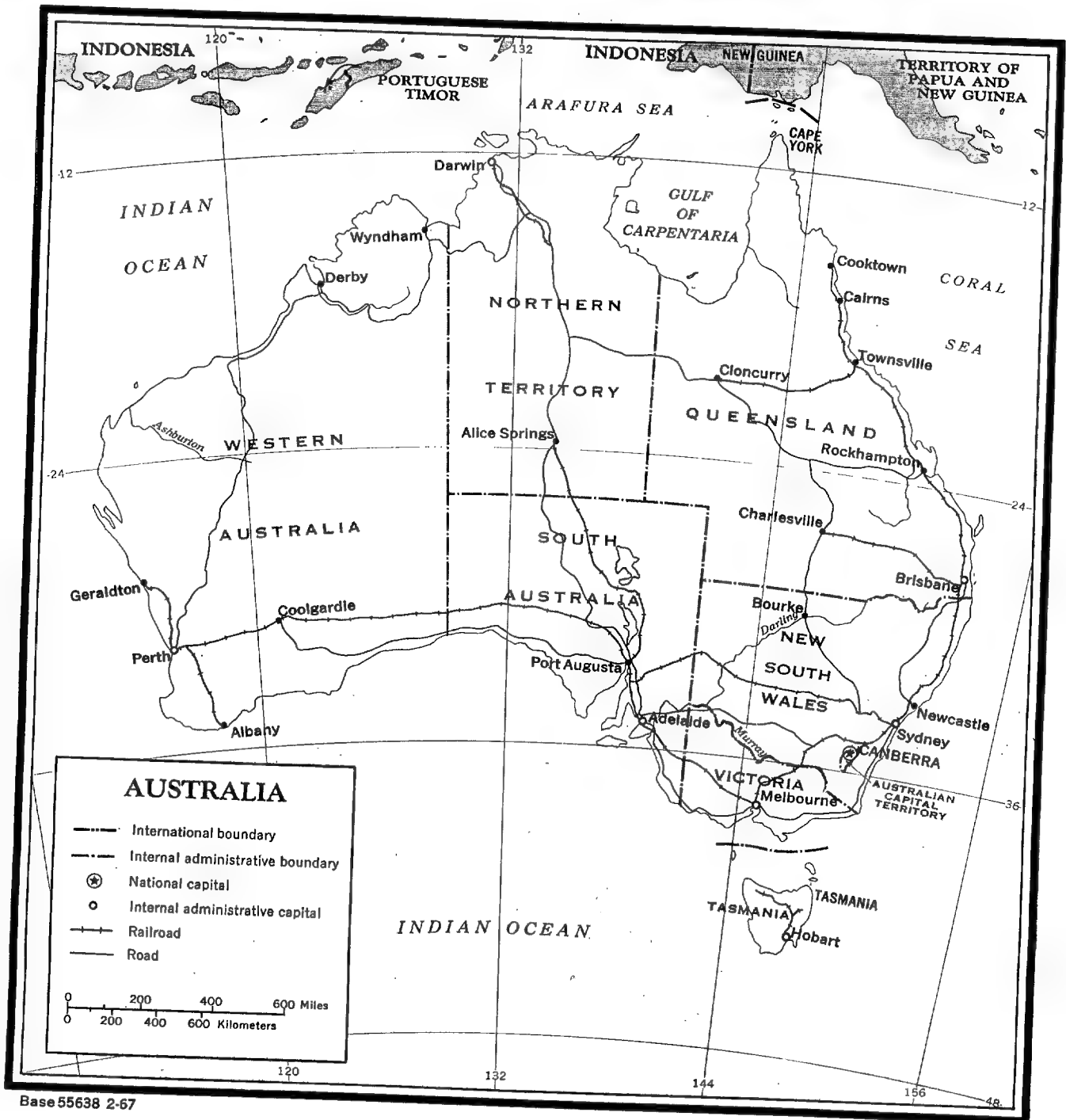


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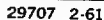


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ANNEXES

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V.P. Briefing BookChinese Minorities in Southeast Asia

- I. All of the countries in Southeast Asia on the Vice President's schedule, except for Australia and New Zealand, have sizeable Chinese minorities.
 - A. While each Chinese community has its own specialized position and relationships with the national government and the mainstream of the population, there are some generalizations that are applicable to the Philippines, Thailand and Indonesia.
 - B. The Chinese own a vastly disproportionate amount of the economic power and private investment capital. This economic success is resented by the local populace.
 - C. In each country the Chinese are the victims of local pressures. Politicians expect handsome contributions. The police expect pay-offs.
- II. Varying degrees of nationalization have been achieved by national governments through regulations requiring the Chinese to acquire citizenship and limiting the activities of Chinese schools, including the teaching of Chinese.
 - A. The Chinese have attempted in some areas to display at least a patina of assimilation.
 1. Chinese acquire local names.

2. Natives sometimes become fronts for Chinese in order to permit the latter to operate commercially.

B.

a curious relationship has developed between a number of individual ranking politicians and one or more wealthy Chinese.

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1. The Chinese operate commercial enterprises with the politician protecting the Chinese and providing economic opportunities.
2. The politician benefits financially from the arrangement.

III. The vast majority of the overseas Chinese are not oriented toward either the Communists or the Nationalists.

IV. Philippines

- A. There are some 400,000 Chinese. Considerable intermarriage has taken place and, in fact Osmena who headed the opposition ticket in the recent elections has not attempted to hide the fact that he has some Chinese ancestry. Nationalist China has an embassy in Manila and operates freely.

V. Thailand

- A. The Chinese are believed to total approximately 3.5 million or about 10% of the population. There has been considerable intermarriage. The Chinese Nationalists maintain an embassy.

VI. Malaysia

A. The Chinese-Malay breakdown differs substantially in the three major parts of the country. In West Malaysia the Chinese are 36.9% of the 9,173,000 population. In Sarawak out of 991,000 some 31.5% are Chinese. In Sabah some 23.1% of the 637,000 people are Chinese.

VII. Singapore

A. Occasionally referred to as a "third China," some 78% of the city-state's over two million people are Chinese.

VIII. Indonesia

A. Out of an estimated population of 117 million some 3% are Chinese. Neither the Chinese Nationalists nor the Communist are represented diplomatically. Relations with Peking were suspended after the attempted Communist coup in late 1965.

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Indonesia's Foreign Debt

By the end of 1968, Indonesia's foreign debt amounted to about \$3.1 billion. Of this total, about \$2.1 billion was built up during the Sukarno era, more than half of which is owed to Communist countries. Almost 80% of the Communist debt represented military equipment. The debt to Western countries was mainly for economic projects and consumer goods. Indonesia has made no significant debt payments since 1965 and has avoided default by annual rescheduling. The structure of Indonesia's medium and long-term debt in 1968 is as follows:

	<u>Million US \$</u>	<u>Percent</u>
Major Western countries	<u>1,558</u>	<u>50</u>
Of which: United States	565	18
Japan	373	12
Communist countries	<u>1,172</u>	<u>37</u>
Of which: USSR	864	28
Other	<u>403</u>	<u>13</u>
<i>Total</i>	<i>\$3,133</i>	<i>100</i>

In 1968, Indonesia's major Western creditors asked Dr. Hermann Abs of West Germany to determine a solution to the debt problem. Dr. Abs has proposed that interest on the Sukarno debt be waived and that the principal be rescheduled over 30 equal payments, to begin soon. He also proposed that no distinction be made between military and economic debt or between Communist and non-Communist creditors. He did not include the post-Sukarno debt in his rescheduling, because it would discriminate against Western countries that continued giving aid to Indonesia while Communist countries did not. The United States representative to the recent Paris meetings was told to inform other countries that the United States would accept the Abs proposals completely, providing other countries did likewise and Congress approved. Indonesia's debt to the USSR was also discussed bilaterally by the two countries in 1969, but there was no significant progress. The USSR apparently is awaiting the outcome of discussions in Paris on the Abs proposal.

Selected Economic Data

	1968				
	GNP	GNP per	Exports	Exports as	Population
	(Billion	Capita	(Million	a Percent	Mid-1969
	US \$)	(US \$)	US \$)	of GNP	Million
Philippines <u>a/ b/</u>	7.2	200	848	12	37
Taiwan	4.2	300	802	19	14
Thailand <u>a/ b/</u>	5.7	170	660	12	35
Nepal <u>a/</u>	0.8	80	67	8	11
Afghanistan <u>a/</u>	1.3	80	71	5	16
Malaysia	3.3	320	1,343	41	11
Singapore	1.4	700	147 <u>c/</u>	10	2
Indonesia <u>a/</u>	9.0	80	870	10	117
Australia	28.0	2,300	3,526	13	12
New Zealand	4.8	1,700	1,010	21	3
South Vietnam <u>d/</u>	3.7	210	12	Negl.	18
South Korea	5.7	180	455	8	31
India <u>a/</u>	45.0	80	1,753	4	537
Communist China <u>a/</u>	80.0	100	1,890	2	824
Japan	142.0	1,400	12,973	9	102
United States	860.6	4,028	34,660	4	204

a. GNP and population figures are highly suspect because of statistical collection systems used by each country.

b. GNP and GNP growth rates likely overstated because of statistical collection system used by country.

c. Excluding US \$1,124 million in re-exports.

d. GNP data overstated because of unrealistic official piastres/dollar exchange rate.

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